

Judge Marsha J. Pechman

03-CR-00416-PET

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

UNITED STATES OF AMERICA,
Plaintiff,

v.

STEVEN J. REIMER,
Defendant.

NO. CR02-260P
NO. CR03-416

PLEA AGREEMENT

FILED _____ ENTERED _____
LODGED _____ RECEIVED _____
SEP 30 2003
AT SEATTLE
CLERK U.S. DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
DEPUTY

The United States of America, by and through John McKay, United States Attorney for the Western District of Washington, and Jeffrey B. Coopersmith, Ye-Ting Woo, and Richard E. Cohen, Assistant United States Attorneys for said District, and Todd Brilliant, Special Assistant United States Attorney for said district, and the Defendant, STEVEN J. REIMER, and his attorney, William T. Hines, enter into the following Agreement, pursuant to Federal Rule of Criminal Procedure 11(c):

1. The Charge(s). Defendant, having been advised of the right to have this matter tried before a jury, agrees to waive that right and enter pleas of guilty to the following charges:

Count 1 of the Second Superseding Indictment in Case No. CR02-260P, which charges Conspiracy to Commit Securities Fraud, Wire Fraud, Mail Fraud, Unlawful Sale of Unregistered Securities, Money Laundering, and Engaging in Monetary Transactions with Proceeds of Unlawful Activity, in violation of Title 18, United States Code, Section 371; and

1 Count 1 of the one-count felony Information in Case No. CR03-416, which
2 charges Filing a False Tax Return, in violation of Title 26, United States Code, Section
3 7206(1).

4 By entering this plea of guilty, Defendant hereby waives all objections to the
5 form of the charging documents.

6 2. Waiver of Indictment. Defendant, having been advised of the right to be
7 charged by Indictment, agrees to waive that right and enter a plea of guilty to the charge
8 brought by the United States Attorney in an Information.

9 3. Elements of the Offenses

10 a. The elements of the offense of Conspiracy to Commit Securities
11 Fraud, Wire Fraud, Mail Fraud, Unlawful Sale of Unregistered Securities, Money
12 Laundering, and Engaging in Monetary Transactions with Proceeds of Unlawful
13 Activity, as charged in Count 1 of the Second Superseding Indictment, in violation of
14 Title 18, United States Code, Section 371, are as follows: (1) there was an agreement
15 between Defendant and at least one other person to commit Securities Fraud, Wire Fraud,
16 Mail Fraud, Unlawful Sale of Unregistered Securities, Money Laundering, Engaging in
17 Monetary Transactions with Proceeds of Unlawful Activity, or at least one of these
18 offenses; (2) Defendant became a member of the conspiracy knowing of at least one of its
19 objects and intending to help accomplish such object or objects; and (3) one of the
20 members of the conspiracy performed at least one overt act for the purpose of carrying
21 out the conspiracy.

22 b. The elements of the offense of Filing a False Tax Return, as
23 charged in the felony Information, in violation of Title 26, United States Code, Section
24 7206(1), are as follows: (1) the Defendant filed a tax return; (2) the Defendant signed
25 the return under penalty of perjury; (3) the return contained false information as to a
26 material matter; (3) the Defendant knew that such information was false; and (5) the
27 Defendant acted willfully.
28

1 4. The Penalties. Defendant understands that the statutory penalties for the
2 offense of Conspiracy to Commit Securities Fraud, Wire Fraud, Mail Fraud, Unlawful
3 Sale of Unregistered Securities, Money Laundering, and Engaging in Monetary
4 Transactions with Proceeds of Unlawful Activity, as charged in Count 1 of the Second
5 Superseding Indictment, in violation of Title 18, United States Code, Section 371, are as
6 follows: imprisonment for up to five (5) years, a fine of up to two hundred fifty
7 thousand dollars (\$250,000.00), a period of supervision following release from prison
8 of between two (2) and three (3) years, and a one hundred dollar (\$100.00) penalty
9 assessment.

10 The Defendant understands that the statutory penalties for the offense of Filing a
11 False Tax Return, as charged in the felony Information, in violation of Title 26, United
12 States Code, Section 7206(1), are a term of imprisonment for up to three (3) years, a
13 fine of up to two hundred fifty thousand dollars (\$250,000), a period of supervision
14 following release from prison of up to one (1) year, and a mandatory penalty
15 assessment of One Hundred Dollars (\$100).

16 Defendant further understands and acknowledges that these maximum statutory
17 penalties may be imposed consecutively, so that the total maximum statutory penalties for
18 Count 1 of the Second Superseding Indictment and Count 1 of the one-count felony
19 Information are eight (8) years of imprisonment, a fine of five hundred thousand dollars
20 (\$500,000.00), a period of supervision following release from prison of between two (2)
21 and three (3) years, and a two hundred dollar (\$200) penalty assessment.

22 Defendant further understands that the Court may impose an alternative fine of
23 up to twice the pecuniary gain or loss.

24 Defendant agrees that the total of \$200.00 in penalty assessments shall be paid at
25 or before the time of sentencing.

26 Defendant agrees that any monetary penalty the Court imposes, including the
27 special assessment, fine, costs or restitution, is due and payable immediately, and
28

1 further agrees to submit a completed Financial Statement of Debtor form as requested
2 by the United States Attorney's Office.

3 Defendant understands that supervised release is a period of time following
4 imprisonment during which he will be subject to certain restrictions and requirements.
5 Defendant further understands that if supervised release is imposed and he violates one
6 or more of its conditions, he could be returned to prison for all or part of the term of
7 supervised release that was originally imposed. This could result in Defendant serving
8 a total term of imprisonment greater than the statutory maximum stated above.

9 5. Rights Waived by Pleading Guilty. Defendant understands that, by
10 pleading guilty, he knowingly and voluntarily waives the following rights:

- 11 a. The right to plead not guilty, and to persist in a plea of not guilty;
- 12 b. The right to a speedy and public trial before a jury of Defendant's
13 peers;
- 14 c. The right to the effective assistance of counsel at trial, including, if
15 Defendant could not afford an attorney, the right to have the Court appoint one for
16 Defendant;
- 17 d. The right to be presumed innocent until guilt has been established
18 at trial, beyond a reasonable doubt;
- 19 e. The right to confront and cross-examine witnesses against
20 Defendant at trial;
- 21 f. The right to compel or subpoena witnesses to appear on
22 Defendant's behalf at trial;
- 23 g. The right to testify or to remain silent at trial, at which trial such
24 silence could not be used against Defendant; and
- 25 h. The right to appeal a finding of guilt or any pretrial rulings.

26 6. Applicability of Sentencing Guidelines. Defendant understands and
27 acknowledges the following:

- 28 a. The United States Sentencing Guidelines, promulgated by the

1 United States Sentencing Commission, are applicable to this case;

2 b. The Court will determine Defendant's applicable Sentencing
3 Guidelines range at the time of sentencing;

4 c. The Court may impose any sentence authorized by law, including a
5 sentence that, under some circumstances, departs from any applicable Sentencing
6 Guidelines range up to the maximum term authorized by law;

7 d. The Court is not bound by any recommendation regarding the
8 sentence to be imposed, or by any calculation or estimation of the Sentencing
9 Guidelines range offered by the parties, or by the United States Probation Department;
10 and

11 e. Defendant may not withdraw a guilty plea solely because of the
12 sentence imposed by the Court.

13 7. Ultimate Sentence. Defendant acknowledges that no one has promised or
14 guaranteed what sentence the Court will impose.

15 8. Loss Amount. The United States and Defendant agree that the correct
16 loss amount for purposes of applying U.S.S.G. § 2B1.1(b)(1) (Nov. 2001) is greater
17 than fifty million dollars (\$50,000,000.00) but less than one hundred million dollars
18 (\$100,000,000.00)

19 The Defendant understands and acknowledges that this Plea Agreement contains
20 no agreement or stipulation with regard to any tax loss, and that nothing in this Plea
21 Agreement precludes the Internal Revenue Service from assessing or collecting any
22 additional civil tax, penalties, and/or interest that may be owing for tax year 2001 or
23 for any other tax year.

24 9. Restitution. With respect to Defendant's plea of guilty to Count 1 of the
25 Second Superseding Indictment, Defendant shall pay and agrees to pay restitution to the
26 Receiver appointed by the Court in Securities and Exchange Commission v. Health
27 Maintenance Centers, Inc., et. al., C02-153P (W.D. Wa.), in the amount determined
28 by the Court at sentencing, with credit for any amounts already paid or collected, for

1 distribution by the Receiver to those persons classified as investors. In the event that
2 the Receivership terminates prior to Defendant's full payment of restitution in the
3 amount ordered by the Court, the Defendant shall pay and agrees to pay restitution to
4 those persons classified as investors in the Court's final distribution order in Securities
5 and Exchange Commission v. Health Maintenance Centers, Inc., et. al., C02-153P
6 (W.D. Wa.).

7 Defendant further understands and acknowledges that he participated in other
8 fraudulent conduct that may or may not fall within the definition of "relevant conduct"
9 under U.S.S.G. § 1B1.3, including conduct involving Nigerian oil and/or agricultural
10 contracts, World Link, Contract Consultancy, Constitution Coffee Company, Vortex
11 Financial, and Quest International. Defendant agrees to pay restitution to all victims of
12 such other fraudulent conduct regardless of whether such conduct is "relevant conduct"
13 to the offenses of conviction under section 1B1.3, specifically including (but not limited
14 to) restitution in the amount of two hundred thousand dollars (\$200,000.00) to a victim
15 with the initials M.C. residing in Paw Paw, Michigan.

16 All restitution ordered by the Court shall be due and payable immediately, and
17 shall be paid in accordance with a schedule of payments as ordered by the Court.

18 10. Statement of Facts. The parties agree on the following facts in support of
19 Defendant's guilty pleas and for purposes of calculating the base offense level of the
20 Sentencing Guidelines. Defendant admits he is guilty of the charged offenses.

21 a. The Defendant and the United States stipulate and agree that all of
22 the allegations contained in the Second Superseding Indictment, which is attached
23 hereto and made a part of this Plea Agreement, are true and correct.

24 b. The Defendant admits and agrees that he intentionally, knowingly,
25 and willfully participated in defrauding, and conspired with others to defraud, investors
26 through a conspiracy and scheme to defraud involving false representations and failures
27 to disclose truthful and accurate information in connection with the sale of the securities
28 of Znetix, Inc., Health Maintenance Centers, Inc. ("HMC"), Cascade Pointe, LLC,

1 and affiliated entities. The conspiracy and scheme to defraud resulted in losses to
2 investors of up to \$100 million.

3 c. Defendant began working for the "investor relations department"
4 of Health Maintenance Centers, Inc. ("HMC-IR") in or about September, 2000. While
5 at HMC-IR, Defendant made false representations to existing and potential investors
6 with regard to the purported business of HMC and Znetix, the supposed imminence of
7 a public offering of Znetix stock, the supposed imminence of a rescission offer to be
8 made to investors by HMC, and other material matters.

9 d. On or about April 9, 2001, the State of Washington's Department
10 of Financial Institutions, Securities Division ("DFI"), issued a Summary Order to
11 Cease and Desist against Kevin L. Lawrence, the founder and principal officer of HMC
12 and Znetix, and against HMC, including HMC's officers, employees, and agents.
13 Defendant was an employee or agent of HMC and he knew that the Summary Order to
14 Cease and Desist applied to him. The Summary Order to Cease and Desist barred
15 Lawrence and HMC (including Defendant) from selling securities through fraudulent
16 means and in violation of securities registration requirements. The stock of HMC and
17 Znetix was never registered with the United States Securities and Exchange
18 Commission, the DFI, or the securities regulatory authorities in any other state.
19 Defendant and his co-conspirators ignored the Summary Order to Cease and Desist and
20 continued to sell securities issued by HMC and affiliated entities through fraudulent
21 representations and without complying with securities registration requirements.

22 e. In or about April, 2001, after the DFI issued the Summary Order
23 to Cease and Desist, the Defendant assisted Kevin McCarthy (the director of HMC-IR)
24 and Kevin Lawrence in setting up a company that was ultimately named Cascade Pointe
25 when it was formally established as a Washington state limited liability company on or
26 about May 2, 2001. The stated primary purpose of Cascade Pointe was to fund a
27 rescission offer to be made by HMC to its thousands of investors. Cascade Pointe was
28 touted as a private investment firm independent from HMC; this was false because, as

1 Defendant knew, Lawrence and McCarthy secretly controlled Cascade Pointe.
2 Thereafter, Defendant sold the securities of Cascade Pointe through fraudulent
3 representations and without complying with securities registration requirements.
4 Defendant's compensation for participating in the sale of Cascade Pointe securities
5 included, among other things, the payment of over \$50,000 to a nominee account called
6 Gibraltar Capital Partners that he set up and controlled in the Carribean nation of Nevis
7 during 2001.

8 f. Defendant also controlled a company in Nevada called TNT
9 Dynamics, Inc. ("TNT") through nominees. Defendant caused the deposit and
10 withdrawal of HMC/Znetix/Cascade Pointe investor funds to and from accounts he
11 controlled in the name of TNT. Defendant knowingly and willfully deposited to TNT
12 accounts funds that he and his co-conspirators raised by defrauding investors, and
13 distributed the funds for the personal benefit of himself and his co-conspirators and
14 contrary to what investors had been told about the use of the funds, which was to
15 purchase HMC, Znetix, or Cascade Pointe securities. Defendant's purpose in using
16 TNT accounts was to conceal the ownership, control, and source of the funds.
17 Defendant also caused TNT and Gibraltar Capital Partners to issue letters and other
18 documents to make it appear falsely that TNT and Gibraltar would provide millions of
19 dollars to Cascade Pointe so that Cascade Pointe would be able to fund HMC's
20 rescission offer. In truth and fact, at no time was Cascade Pointe anywhere close to
21 having sufficient funds or having access to sufficient funds for such a rescission offer,
22 which would have been at least \$55 million. Rather, Cascade Pointe took
23 approximately \$12 million from investors and used the bulk of that money to fund
24 HMC's ongoing "operations" and for the personal benefit of Defendant and his co-
25 conspirators. Defendant also lied to Special Agents of the FBI with regard to the
26 ownership of TNT, but later admitted in a second interview several months later that he
27 controlled TNT and that he had been "deliberately deceptive" with the FBI.

1 g. With regard to Defendant's plea of guilty to Filing a False Tax
2 Return, as charged in the felony Information, Defendant willfully filed a false federal
3 joint income tax return (Form 1040) with the Internal Revenue Service for the tax year
4 2001. The Defendant signed this tax return under penalty of perjury on or about
5 October 14, 2002. Defendant's 2001 tax return was false as to a material matter in that
6 Defendant knowingly and willfully responded falsely to the following question on
7 Schedule B that he filed as part of the return: "At any time during 2001, did you have
8 an interest in or signature or other authority over a financial account in a foreign
9 country, such as a bank account, securities account, or other financial account?"
10 Defendant answered this question in the negative by checking a box marked "No" on
11 his 2001 tax return. In truth and fact, as Defendant well knew at the time he signed his
12 2001 tax return under penalty of perjury and filed it with the Internal Revenue Service,
13 Defendant had, during the tax year 2001, established, maintained and had complete
14 control and authority over at least two foreign bank accounts in the Carribean nation of
15 Nevis, in the names of Gibraltar Capital Partners and Holland Capital Partners.
16 Further, on or about August 9, 2001, Defendant received \$50,000 from Cascade Pointe
17 and caused the deposit of these funds to his Nevis bank account in the name of
18 Gibraltar Capital Partners. On or about September 5, 2001, Defendant received
19 \$10,000 from Cascade Pointe and caused the deposit of these funds to his Nevis bank
20 account in the name of Gibraltar Capital Partners.

21 11. Cooperation.

22 a. Defendant shall cooperate completely and truthfully with law
23 enforcement authorities, and with the Receiver appointed in Securities and Exchange
24 Commission v. Health Maintenance Centers, Inc., et. al., CR02-153P (W.D.Wa.), in
25 the investigation and prosecution of other individuals and/or entities involved in
26 criminal and/or unlawful activity. Such cooperation shall include, but not be limited to,
27 complete and truthful statements to law enforcement officers and the Receiver, as well
28 as complete and truthful testimony, if called as a witness before a grand jury, or at any

1 state or federal trial, retrial, or other judicial proceedings. Defendant further agrees to
2 provide a truthful statement regarding all of his assets, and to make a full and complete
3 disclosure of all assets in which Defendant has any interest or over which Defendant
4 exercises control and those which are held or controlled by a nominee(s). Defendant
5 further agrees to submit to a polygraph examination on the issue of assets or on any
6 other issue if it is deemed necessary by the United States. Defendant acknowledges
7 that his obligation to cooperate shall continue after Defendant has entered a guilty plea
8 and sentence has been imposed, no matter what sentence Defendant receives;
9 Defendant's failure to do so may constitute a breach of this Plea Agreement.

10 b. Defendant understands that the United States will tolerate no
11 deception from him. If, in the estimation of the United States Attorney, information or
12 testimony provided from the date of the Plea Agreement proves to be untruthful or
13 incomplete in any way, regardless of whether the untruthfulness helps or hurts the
14 United States' case, the United States Attorney for the Western District of Washington
15 may consider that Defendant has breached this Plea Agreement.

16 c. The parties agree that information provided by Defendant in
17 connection with this Plea Agreement shall not be used to determine Defendant's
18 sentence, except to the extent permitted by U.S.S.G. § 1B1.8.

19 d. In exchange for Defendant's agreement regarding cooperation, as
20 described above, and conditioned upon Defendant's fulfillment of all conditions of this
21 Plea Agreement, the United States Attorney's Office for the Western District of
22 Washington agrees to dismiss at the time of sentencing Counts 13 through 54, 57
23 through 68, 75 through 82, 85 through 92, 102, 104, and 113 of the Second
24 Superseding Indictment. Also in exchange for Defendant's cooperation, as described
25 above, and conditioned upon Defendant's fulfillment of all conditions of this Plea
26 Agreement, the United States Attorney's Office for the Western District of Washington
27 agrees not to prosecute Defendant for any other offenses, other than crimes of violence,
28 that Defendant may have committed in the Western District of Washington prior to the

1 date of this Agreement about which: (1) the United States presently possesses
2 information; or (2) Defendant provides information pursuant to this Agreement to
3 cooperate with the authorities. In this regard, Defendant recognizes that the United
4 States has agreed not to prosecute all of the criminal charges that the evidence
5 establishes were committed by Defendant solely because of the promises made by
6 Defendant in this Agreement. Defendant acknowledges and agrees, however, that for
7 purposes of preparing the Presentence Report, the United States Attorney's Office will
8 provide the United States Probation Office with evidence of all relevant conduct
9 committed by Defendant.

10 12. Voluntariness of Plea. Defendant acknowledges that he has entered into
11 this Plea Agreement freely and voluntarily, and that no threats or promises, other than
12 the promises contained in this Plea Agreement, were made to induce Defendant to enter
13 this plea of guilty.

14 13. Statute of Limitations. In the event that this Agreement is not accepted by
15 the Court for any reason, or Defendant has breached any of the terms of this Plea
16 Agreement, the statute of limitations shall be deemed to have been tolled from the date
17 of the Plea Agreement to: (1) thirty days following the date of non-acceptance of the
18 Plea Agreement by the Court; or (2) thirty days following the date on which a breach
19 of the Plea Agreement by Defendant is discovered by the United States Attorney's
20 Office.

21 14. Post-Plea Conduct. Defendant understands that the terms of this Plea
22 Agreement apply only to conduct that occurred prior to the execution of this
23 Agreement. If, after the date of this Agreement, Defendant should engage in conduct
24 that would warrant an increase in Defendant's adjusted offense level or justify an
25 upward departure under the Sentencing Guidelines (examples of which include, but are
26 not limited to: obstruction of justice, failure to appear for a court proceeding, criminal
27 conduct while pending sentencing, and false statements to law enforcement agents, the
28

1 probation officer or Court), the United States is free under this Agreement to seek a
2 sentencing enhancement or upward departure based on that conduct.

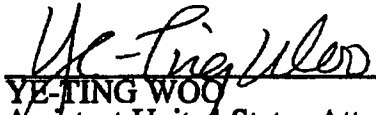
3 15. Completeness of Agreement. The United States and Defendant
4 acknowledge that these terms constitute the entire Plea Agreement between the parties.
5 This Agreement only binds the United States Attorney's Office for the Western District
6 of Washington. It does not bind any other United States Attorney's Office or any other
7 office or agency of the United States, or any state or local prosecutor.

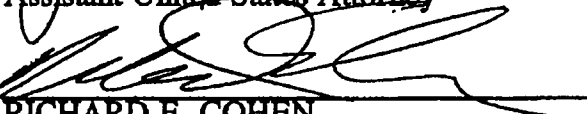
8 DATED this 30th day of September, 2003.

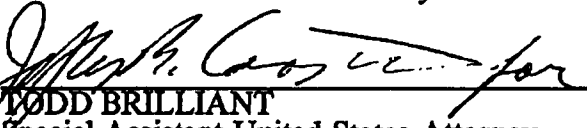
9
10 
11 STEVEN J. REIMER
Defendant

12 
13 WILLIAM T. HINES
14 Attorney for Defendant

15 
16 FLOYD G. SHORT
Assistant United States Attorney

17 
18 YE-TING WOO
19 Assistant United States Attorney

20 
21 RICHARD E. COHEN
22 Assistant United States Attorney

23 
24 TODD BRILLIANT
Special Assistant United States Attorney

25 
26 JEFFREY B. COOPERSMITH
27 Assistant United States Attorney
28

PLEA AGREEMENT SPECIAL ASSESSMENT PAYMENT

INSTRUCTIONS FOR PAYING SPECIAL ASSESSMENTS PRIOR TO SENTENCING

1. Special Assessments paid prior to sentencing must be paid to the Clerk, United States District Court.
2. Special Assessments must be paid by a first party, certified, or cashiers check, or a money order. No second party checks will be accepted. No post-dated checks will be accepted.
3. All checks must be made out in U.S. dollars to "Clerk, U.S. District Court."
4. All checks or money orders must be accompanied by the attached form entitled, "Plea Agreement Special Assessment Payments." The entire form must be filled out or the Clerk, United States District Court, will not accept the payment.

TO: CLERK, U.S. DISTRICT COURT
ATTN: INTAKE TEAM

DATE SUBMITTED: _____

PAYMENT SUBMITTED BY: _____

CASE NAME: United States v. Steven J. Reimer

CASE DOCKET NUMBER: CR02-260P, CR03-416RBL

DEFENDANT'S NAME: Steven Reimer

SINGLE OR MULTIPLE DEFENDANTS (from Indictment; circle one)

TOTAL SPECIAL ASSESSMENT PER DEFENDANT AS SET FORTH IN THE PLEA
AGREEMENT: \$ 100.00